The CEO's Guide to Succession Planning

Managing Risk & Ensuring Business Continuity

SumTotal
Complete Talent Management

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The CEO's Guide to Succession Planning:
Managing Risk & Ensuring Business Continuity

INTRODUCTION

Once reserved for the upper echelons of senior management, and often viewed as replacement planning should catastrophe strike, today's succession planning is redefined. The discipline has broadened in both breadth and scope to become a central component of board-level strategy.

Succession planning focuses on managing risk and ensuring continuity across all levels of the organization – risk of untimely departures of critical personnel, risk of retirees taking their skills and knowledge with them and leaving nothing behind, and risk of losing high value employees to competitors. It does so by helping your business leaders to identify top performers within the organization, create dynamic "talent pools" of this critical talent that other leaders can leverage, and prepare and develop these high performing employees for future roles.

The problem that exists today is that succession planning is barely automated, let alone optimized. This CEO guide provides five key tips for jump starting your succession planning efforts.

1. AUTOMATE & REDUCE COSTS

Today's succession planning efforts are characterized by fragmented, inconsistent, paper-based processes. Indeed, 67% of companies are still primarily paper-based, according to a global survey conducted by SumTotal.

Conventionally, business and HR leaders will spend weeks or even months manually scouring different parts of the organization for information needed to build lists and pools of nominees and successors for specific job families or positions. The information required to generate the lists often includes self assessments, past performance appraisals (often paper-based), and 360 feedback. After a lengthy period of information gathering and aggregation followed by manual analysis (e.g., nine-box, gap analysis), the results are printed and collated into large three-ring binders for use in executive planning meetings. This time-consuming, inefficient, and costly process is still commonplace today.

> Succession planning focuses on managing risk and ensuring continuity across all levels of the organization.

To effectively transform succession planning from a manual, paper-based process to one that is systematic and technology-enabled, CEOs must focus on laying a solid foundation supported by strong executive leadership.

- **Program & Process Foundation**
  - Establish dedicated management function (e.g., program management office) with CEO-sponsored executive leader or council (with senior representation from line-of-business, geography, and corporate HR)
  - Define core succession process along with key constituents and tasks at each step of the process; Clearly articulate touch points to other business processes (e.g., performance management, career development)
  - Understand implications of change with emphasis on managers & employees
  - Align program with broader business strategy
  - Determine initial scope (e.g., enterprise-wide, divisional)
  - Define processes independent of technology

Case In Point: ALFA

ALFA is a SumTotal customer that is based in Mexico and employs more than 50,000 people. The company is highly diversified and global in scope, and consists of four distinct business units: petrochemicals, aluminum auto components, refrigerated food, and telecommunications.

A key challenge facing ALFA was promoting cross-business unit transfers, thereby minimizing employee attrition to the competition. ALFA was losing at-risk high-performing talent because it was unable to find growth and leadership opportunities for these employees within the organization. Due to the proliferation of different HR systems at each of its four business units, ALFA suffered from inconsistency in managing its global talent processes as well as a lack of visibility into key employee information that could be used to drive a cohesive talent mobility strategy.

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- **Technology Foundation**

  - Must support and enable key processes

  - Must integrate learning and development

  - Must link seamlessly to other business processes, especially performance management

  - Must be flexible and configurable to meet unique needs

  - Must centralize and consolidate key information and data

  - Must be easy for managers and employees to use

> CEOs must focus on laying a solid foundation supported by strong executive leadership to optimize their succession processes.

2. DRIVE SUCCESSION PLANNING DEEPER INTO YOUR ORGANIZATION

Many CEOs still view succession planning as replacement planning to designate successors in the event of a catastrophe befalling senior company leaders. Indeed, succession planning penetrates only the highest levels of the organizational hierarchy, according SumTotal's survey data. Only 35% of companies currently focus their succession planning efforts on most critical roles within the organization.

Yet a most dramatic transformation is underway: 65% of the organizations surveyed plan to extend succession planning to all critical positions within the two years. Applying succession planning beyond the top layers of management is critical to retaining high performers across all levels of the organization and mitigating the risk of untimely departures of personnel in high-value positions.

The key to extending succession planning into the organization is to provide career development planning to employees. Indeed, fully 97% of business and HR leaders believe that a systematic career development process positively impacts employee retention and engagement. These leaders also believe that providing career advancement opportunities as well as dedicated development planning to employees are the two most important mechanisms for retaining high performers.

Retaining existing employees not only has the potential to minimize the effects of talent shortages, it also provides significant and tangible cost savings (since replacement costs range from 100%-150% of the salary for a departing employee).

> Retaining top performers also provides significant and tangible cost savings (replacement costs range from 100-150% of a departing employee's salary).

3. ESTABLISH DYNAMIC TALENT POOLS TO IMPROVE PIPELINE VISIBILITY

Centralized talent pools provide CEOs with global visibility into their talent pipeline and overall organization bench strength. They provide a mechanism for ensuring that the organization's future staffing plans are adequate, thereby reducing risk and ensuring continuity. To be truly effective, talent pools need to be dynamic in nature. For instance, if an employee is terminated, that person should be automatically removed from existing successor pools. Alternatively, if an employee closes a key skill or certification gap that had previously kept her from being considered as a successor, the pool should be updated appropriately. Talent pools that are inaccessible or not up-to-date are of little use to decision makers.

A key element of making talent pools accessible is in-depth searching for talent exploration. A talent pool is not much good if managers cannot easily view, track, update, and search for potential successors. Dynamic talent pools should take the guess work out of succession planning by aligning employee assessments, competencies, development plans, and learning programs. Proactive system monitoring ensures that as employees learn and grow, talent pools are dynamically updated to reflect the changes. It is this element in particular – supported by robust reporting and analytic capabilities – that helps CEOs make more objective staffing decisions and better plan for future staffing needs.

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Centralized talent pools provide CEOs with global visibility into their talent pipeline and overall organization bench strength.

4. PROMOTE TALENT MOBILITY TO RETAIN HIGH PERFORMERS

Industry analyst firm Bersin & Associates defines talent mobility as "a dynamic internal process for moving talent from role to role – at the leadership, professional and operational levels." The company further states that "the ability to move talent to where it is needed and by when it is needed will be essential for building an adaptable and enduring organization."[1]

SumTotal's experience with global organizations also reveals that talent mobility is:

- A business strategy that facilitates organizational agility and flexibility
- A mechanism for acquiring and retaining high performing and potential talent
- A recruiting philosophy that favors internal sourcing over costly external hiring
- A method for aligning organizational and individual needs through development
- A proactive and ongoing approach to succession planning rather than a reactive approach

A systematic talent mobility strategy enables business leaders to more effectively acquire, align, develop, engage, and retain high performing talent by implementing a consistent, repeatable, and global process for talent rotation. Without a cohesive talent mobility strategy, CEOs face several risks:

- Focus on costly external recruiting vs. internal sourcing
- Wrong hires (cost can be 3-5x person's salary)
- Increased high performer churn
- Reduced employee engagement
- Reduced flexibility as business conditions change

CEOs should consider the following integrated processes – and a complete technology platform to support them – to promote and enable talent mobility:

- Current workforce analysis: Includes detailed talent profiles, employee summaries, organization charts, competencies, and job profiles.
- Talent needs assessment: Assess employees on key areas of leadership potential, job performance, and risk of leaving.
- Future needs analysis: Development-centric succession planning to create & manage dynamic, fully-populated talent pools.

A systematic talent mobility strategy enables leaders to more effectively develop, engage, and retain high performing talent.

5. INTEGRATE SUCCESSION PLANNING TO BROADER BUSINESS PROCESSES

Succession planning is not a silo. It implicitly relies on other talent processes and data, especially assessments that provide a performance and competency baseline (see Figure 1). Yet unlike a performance management process, which can be executed in a relatively self-contained fashion (assuming it has access to core employee data), the same is not true for succession planning.
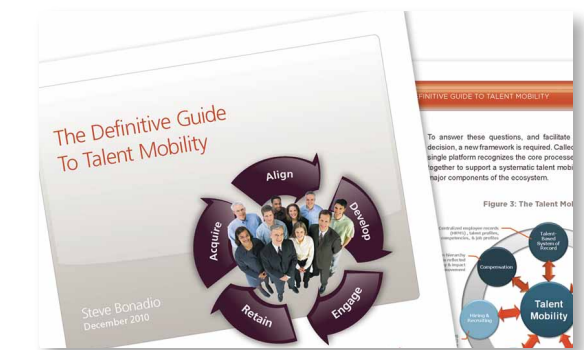
Figure 1: Succession Planning Within The Broader Talent Ecosystem
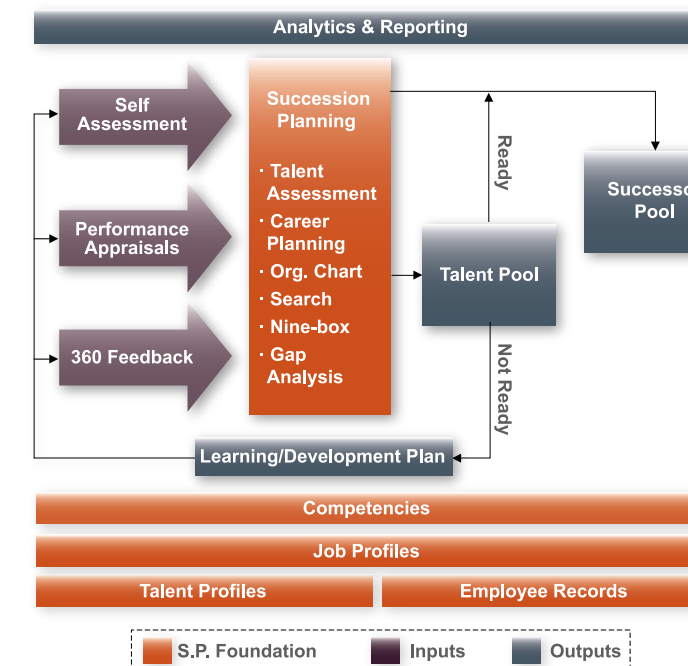
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Succession planning requires foundational data (e.g., competencies, job profiles, talent profiles, and employee records) and inputs (e.g., appraisals, feedback). Outputs include nominee pools, successor pools, development/learning plans, and reports. To facilitate the level of integration required to get succession planning right, a single, natively-integrated technology platform that centralizes key talent processes and information is required. With this single platform, the time to develop succession plans can easily be reduced from weeks or months to mere hours. The benefits can be significant: reduce costs, reallocate personnel from tactical activities to more strategic endeavors, and mitigate the risk of untimely departures of essential personnel.

Additionally, a single technology platform promotes the linkage of learning and career development to succession planning. By bridging these processes, nominees who are not ready for advancement can be assigned detailed development plans that guide them to improve the competencies and skills required for new job positions. Learning paths and specific courses can be established for employees to facilitate their career growth.

Finally, with a single system of record, reporting and analysis is vastly improved, since all relevant talent data resides within a single data structure. Strategic cross-functional metrics can be readily established (e.g., measure the impact of learning and development programs on performance). Reporting and analysis are key to the CEO's success in managing employee resources and implementing strategies that support corporate objectives and initiatives.

CONCLUSION

CEOs can realize significant efficiency gains and cost savings by moving from a manual, paper-based succession process to one that is fully technology-enabled. The shift to a single technology platform facilitates extending succession planning deeper into the organization, since a well-architected solution seamlessly links succession to career development and learning. A complete platform improves senior management's global visibility into the talent pipeline and bench strength, and promoting talent mobility to retain high performers becomes a viable engagement strategy. Succession planning, done correctly, is all about process and supporting technology integration. Without integration, succession planning becomes just another organizational silo.

ENDNOTE

[1]Lamoureux, Kim. "Talent Mobility: A New Standard of Endurance." Bersin & Associates, November 30, 2009.

ABOUT SUMTOTAL

SumTotal Systems, Inc. is the global leader in complete talent management software that enables organizations to more effectively drive business strategy. Recognized by industry analysts as the most comprehensive talent management solution, SumTotal provides full employee lifecycle management, including a core system of record, from a single provider for improved business intelligence. The company offers customers of all sizes and in all industries the most flexibility and choice with multiple purchase, configuration, and deployment options. We have increased the performance of the world's largest organizations including Sony Electronics (NYSE: SNE), AstraZeneca (NYSE: AZN [ADR]; London: AZN), and Amway (KUL:AMWAY).

For more information, or to request a demo, please call **+1 (800) 881-2546** (US / Canada), **+1 (508) 358-1072** (international) or visit **www.sumtotalsystems.com**

Talent Mobility Webinar

This webinar illustrates the business benefits of a talent mobility strategy and considerations for approaching and deploying the strategy and supporting technology. Learn about:

- **how centralizing HR information and data helps in making better workforce decisions**
- **the key elements of customer's talent mobility program**
- **results achieved by SumTotal customers using SumTotal**
- **how talent management technology can help your business create a successful talent mobility solution**
- **key process requirements your business should take to have an effective talent mobility solution**
- **how to get started today, and what results you can expect**

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